



USAF Legislative Liaison Congressional Hearing Resume 106th Congress; Second Session

Date: 21 Sept 2000

SUBJECT: Hearing on the Status of Military Procurement Requirements and Funding

COMMITTEE: House Armed Services Committee
Subcommittee on Military Procurement

CHAIRMAN: The Honorable Duncan Hunter (R-CA)

OTHER COMMITTEE MEMBERS PRESENT:

CM Floyd Spence (R-SC)
CM Norman Sisisky (D-VA)
CM Ike Skelton (D-MO)
CW Ellen Taucher (D-CA)
CM John Spratt (D-SC)
CM Thomas Allen (D-ME)
CM James Maloney (D-CT)

WITNESSES: Mr Christopher Jehn, Assistant Director (National Security Division) Congressional Budget Office (CBO)

Honorable William J. Lynn III, Comptroller/Chief Financial Officer, Department of Defense

Lt Gen Larry R. Ellis, USA, Deputy Chief of Staff for Operations and Plans

Vice Admiral Edmund P. Giambastiani, USN, Deputy Chief of Naval Operations (Resources, Warfare Requirements, and Assessments)

Lt Gen Robert H. Foglesong, USAF, Deputy Chief of Staff for Air and Space Operations

Lt Gen William L. Nyland, USMC, Deputy Chief of Staff for Programs and Resources

Information contained in this resume was obtained during an open hearing. It will not be released outside of the Department of Defense (DoD) agencies until published hearing transcripts have been released by the Committee, and only to the extent it is in accord with published hearing procedures.

Prepared by:
Lt Col Steve Arquette, SAF/LLW, 703-697-6711
EXECUTIVE SUMMARY

The Subcommittee convened this hearing to examine the status of the military procurement requirements and funding. Two panels provided testimony during the hearing: The first panel, comprised of Mr Jehn and Mr Lynn, discussed the CBO report (Budgeting For Defense: Maintaining Today's Forces) which calls for greater DoD procurement funding levels (\$90B/year) and the fiscal context through which the Administration must balance future modernization efforts. The second panel, comprised of Service operations deputies, provided answers to the various members' questions regarding their service specific funding requirements, and how these relate to current and future readiness.

While this committee has a reputation for bi-partisan cooperation, partisanship was evident throughout this hearing. Chairman Hunter and CM Spence, the two republicans present in this hearing, both found themselves countering pro-Administration comments by CM Skelton, CM Sisisky and CW Taucher.

The majority of the issues discussed during the first panel hearing focused on the CBO report and whether the assumptions used to estimate the higher procurement funding figures really reflect the true future picture. Chairman Hunter queried Mr Lynn on whether the defense budget should be based on requirements or should requirements be downsized based on fewer dollars available to fund the services. Whether the current administration underfunded military budgets, resulting in our current state of lowered readiness was discussed via various illustrations of service-wide capability declines.

The discussions of the second panel centered on lowered combat capabilities associated with falling mission capable rates, equipment age, personnel shortages, and lack of funding for spare parts. Each panel member provided factual answers to questions of service readiness; the bottom line was "We're ready to respond; we do need to recapitalize our forces and there are various levels of risks associated with a two MTW scenario."

The Subcommittee was called to order at 1330.

OPENING REMARKS

Chairman Hunter

Referenced that in 1995, CJCS testified that DoD would need \$60B in procurement by FY98 in order to maintain a healthy military; this level was never reached until FY01. The results of this underfunding (high CANN rates, lack of spare parts, substantial MC rates declines) has produced unacceptable levels of risk which are negatively impacting our men and women who serve the nation in the armed services. He further quoted Dr Hamre from March 2000 who stated that we need \$10-15B more a year, as we're not capable of "making up from the '90s" at our current funding levels. Hunter agreed that the CBO was on target with their \$90B funding figure, and that he looked forward to the service operations deputies expounding on their service specific funding issues which impact their over all readiness.

CM Sisisky

Stated that this was an “interesting hearing”, in that CBO is telling us that DoD needs more money, and we have invited DoD folks here to ask them if they want more money; “the answer is already known”. He further stated that next week’s service chief’s hearings will be very similar. He stated that it’s a shame that Congress underfunded the military, and that it must take political will to raise the topline. He emphasized the need for balance within a zero-sum gain topline across the readiness, operations and maintenance, procurement and personnel accounts. Committee bi-partisanship is key to any meaningful budget packages.

CM Spence

Thanked CBO for their efforts to shed light on the requirement to raise the top line increases. Stated that DoD must see sustained growth in order to “dig out of the hole”. In conclusion stated that he supports increasing the top line.

CM Skelton

Stated “the peak of the political season is the reason why this hearing is being held out of cycle” and that “we are criticizing ourselves, Congress, for not adding the necessary money for DoD”.

WITNESS STATEMENTS

Mr Jehn

Outlined the purpose of the CBO report was to focus on steady-state estimates of procurement costs for military equipment and systems. CBO’s estimate for sustaining a defense budget suggests that \$90B/year in procurement will be necessary to recapitalize current force structure. Highlighted two conclusions - first, after a decade of annual purchases in the range of \$45B - \$55B, the services are voicing concerns about the age of and performance of their equipment, and second, this study provides a basis for judging future procurement budgets. Closed with his opinion that it is not evident that today’s forces are appropriate for tomorrow’s missions.

Mr Lynn

Stated the Clinton Administration and SECDEF agree that funding must increase, and that they’ve set up the “first substantial DoD spending plus-up in 10 years”. He felt the CBO estimates were too static, and that the DoD environment is much more dynamic; it is difficult to predict what future capabilities may be required. Any future procurement budgets must be balanced with other national priorities (tax cuts, debt reduction, medical system reforms, etc). Closed with an urge for a new round of BRAC.

Lt Gen Foglesong

Stated that the Air Force is ready, and that we’re the best military in the world. Though we do have our share of challenges, we see recapitalization as a means to rebuild to previously achieved capability levels. Retention and low MX indicators were used as examples of the challenges the Air Force is working. (spare parts funding has impacted moral due to higher CANN rates, and our inability to train pilots in their weapon systems). Noted the economic “pull” of pilots, MX workers and our high tech folks, along with the opstempo “push”.

KEY COMMENTS, QUESTIONS, AND ANSWERS

- **CM Hunter**

- CM Hunter asked General Foglesong to detail the lowered MC rates for our front line forces. Gen Foglesong detailed the C1 thru C-4 status of these units, and boiled it down to the fact that we're combat ready, but only 45% of our stateside units are C-1 or C-2 because we have chosen to ensure our deployed combat units have priority.
- CM Hunter asked if this is acceptable, and Gen Foglesong replied that this is worrisome and that we're about as low as we would want to go. Based upon current rates, the AF would like to see 80% MC rates.
- CM Hunter asked about C-5 MC rates. Gen Foglesong stated they are running about 60% for the fleet, but the C-5 still represents an important part of our strategic air fleet.
- CM Hunter wanted to know what cannibalization is. Gen Foglesong detailed the CANN process, and explained that for each 100 sorties we fly, 10 are supported by cannibal parts.
- CM Hunter asked that we provide current/historic cann rates for the record.
- CM Hunter asked if Kosovo was an MTW and could the AF have handled another tasking at the same time. Gen Foglesong replied yes it was a MTW, and that additional taskings would have been difficult; taking longer than war planning calls for and thus increasing risk.
- CM Hunter detailed his visit to Nellis and stated that feedback from pilots was that they're leaving the AF due to high perstempo (missing too many kids' birthdays); he asked would more air wings fix the problem. Gen Foglesong stated that we're satisfied with our current force structure, but we need a better recapitalization effort to sustain what we have. More force structure would require even more pilots, and that would be difficult to achieve in this environment.
- CM Hunter asked if the AF is in a "death spiral" for pilot retention; Gen Foglesong replied it's a tough challenge, given the fact that the airlines will hire an additional 5,000 pilots this year, more than all of the services produce.
- CM Hunter asked all services about the age of their operating systems; are they older now than they were in 1993? Gen Foglesong stated that the average age for fighters is about 15 years and our overall fleet average is about 22 years. Also, we need to replace aircraft at a rate of about 160 per year, but we're currently procuring only 50 aircraft per year -- many of which are trainers.
- CM Hunter asked the Air Force to provide more detailed aircraft age information for the record.
- CM Hunter asked if aircraft age was resulting in more crashes. All Operations Deputies replied no; Gen Foglesong added that age increases frustration levels.
- CM Hunter commented on the aging B-52 fleet, and is it wise to fly aircraft for 80 years; do we need a new bomber? Gen Foglesong replied we should not plan on flying an aircraft that long, and that AF plans for a new bomber will include new technology not yet available.

- CM Hunter asked if the AF's \$35B portion of the \$90B DoD procurement funding was a correct figure. Gen Foglesong replied that to recapitalize our fleet, this figure was probably close; however, it didn't include enough to recapitalize our infrastructure, which we're doing at a 250-year rate vice a 50-year rate throughout industry.
- CM Hunter asked the AF to provide an accurate figure for the record.
- **CM Spratt**
 - CM Spratt recalled the push in 1992 to create a balanced budget amendment, and linked the success of the Administration to its ability to achieve that early, and then apply increased DoD funding (\$112B) across the FYDP. He felt the "glass is more full" than this hearing suggests.
 - CM Spratt asked Gen Foglesong what attributed to the MC rates falling; lack of spare parts funding, lack of training or overuse in Kosovo? Gen Foglesong responded that a variety of factors impact MC rates: the economy pulling away our talent and our mid-level experience, contingencies burn up lots of spare parts, add the fact that old airplanes are breaking in new ways.
 - CM Spratt asked if we have cut back on flying hours. Gen Foglesong's answer was we have not flown our flying hour program due to underfunding.
 - CM Spratt asked if the AF was experiencing ammo training stock shortages; Gen Foglesong replied yes.
- **CW Taucher** bluntly questioned Mr Jehn, "is this CBO report of any value to OSD?" Stated that she felt this report was "mind clutter" in that it doesn't account for how things need to be and that it will only confuse the American people. Argued against spending more on defense when "the US is already spending 5 times more than Russia or China does on defense". She showed a chart to highlight the Administration's funding successes.
- **CM Sisisky**
 - CM Sisisky asked all the services for the amounts they are underfunded for ammunition. Gen Foglesong stated that the AF would provide their answer for the record.
 - CM Sisisky asked if the AF is seeing any benefit to added funding for spare parts; Gen Foglesong replied yes and detailed the impact of the \$900M the AF received for Kosovo. Gen Foglesong further explained that our aging fleet is experiencing systems failing that were not predicted (KC-135 stab problem given as an example) -- another example of our need to recapitalize our forces.
 - CM Sisisky was interested in the impact of spare parts funding and availability to keep all services units' healthy.
- **CM Skelton** stated that he received weekly threat updates from around the globe, and asked each service XO if there were any threats that their service was not ready to respond to. All replied they are ready; Gen Foglesong added that multiple events would stress the airlift and some of the forward units.
- **CM Maloney** asked if previous years' testimony by the service chiefs failed to notify Congress of funding shortfalls. Gen Foglesong stated that all AF testimony has been very forthright.

The hearing concluded at 1615.

Questions for the Record

- Aircraft average age figures
- Aircraft Cannibalization rate figures
- Dollar amount required to recapitalize the force (compared against CBO's \$35M per year)
- Percent of munitions required for 2 MTWs (broken into conventional and precision guided categories)